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# Investigation Into Possible Misuse Of Grant Funds By Central California Action Associates, Inc.

B-130515

Office of Economic Opportunity

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

915491

APRIL 27, 1970

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-130515

Dear Mr. Sisk:

This is our report on our investigation into possible misuse of grant funds by the Central California Action Associates, Inc., which was conducting a farmworkers' educational program in an eight-county area in central California under grants by the Office of Economic Opportunity. Our review was concerned mainly with contracts awarded by Central California Action Associates, Inc., to the Atzlan Civic Education Committee, Inc., and the Mexican American Voter Education Research Institute Council, Inc.

On April 3, 1970, OEO submitted information concerning the two contracts to the Department of Justice for its consideration of possible violations of Federal criminal law. Care should be exercised in the use of information contained in this report because the disclosure of the contents may prejudice the Government's interest and because the Office of Economic Opportunity, the Central California Action Associates, Inc., and the other parties mentioned in this report have not been given an opportunity to formally examine and comment on the contents of the report. As agreed with your staff, we are sending copies of the report to the Director, Office of Economic Opportunity.

NB

Sincerely yours,

Comptroller General  
of the United States

The Honorable B. F. Sisk  
House of Representatives

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## ABBREVIATIONS

CCAA	Central California Action Associates, Inc.
GAO	General Accounting Office
MAPA	Mexican-American Political Association
MAVERIC	Mexican American Voter Education Research Institute Council, Inc.
OEO	Office of Economic Opportunity

*COMPTROLLER GENERAL'S REPORT TO  
THE HONORABLE B. F. SISK  
HOUSE OF REPRESENTATIVES*

INVESTIGATION INTO POSSIBLE  
MISUSE OF GRANT FUNDS BY CENTRAL  
CALIFORNIA ACTION ASSOCIATES,  
INC.  
Office of Economic Opportunity  
B-130515

D I G E S T

WHY THE REVIEW WAS MADE

Congressman B. F. Sisk requested the General Accounting Office (GAO) to investigate charges and countercharges concerning the use of Federal grant funds by the Central California Action Associates, Inc. (Association), which was conducting a farmworkers' educational program in an eight-county area under grants by the Office of Economic Opportunity (OEO). Specifically, the request referred to the award of contracts by the Association to the Atzlan Civic Education Committee, Inc. (Atzlan), and the Mexican American Voter Education Research Institute Council, Inc. (Council).

OEO approved grants to the Association amounting to about \$4.5 million to carry out the program from May 10, 1967, to July 31, 1970.

In its investigation GAO primarily reviewed actions of the Association and OEO concerning five matters:

- Contracts awarded by the Association to Atzlan and the Council.
- Activities conducted by Atzlan and the Council under the contracts.
- Accounting for the funds provided under the contracts.
- Circumstances under which the Association permitted the first vice chairman of its board of directors to take a 2-week leave of absence from the board to act as a consultant to the Association for a fee of \$1,000.
- Suspension of grant activities.

GAO did not evaluate the effectiveness of the overall program of the Association.

On April 3, 1970, OEO submitted information on the Association's actions involving the contracts with Atzlan and the Council to the Department of Justice for its consideration of possible violations of

Federal criminal law. Care should be exercised in the use of information contained in this report because disclosure might prejudice the Government's interest and because the organizations and individuals mentioned have not been given an opportunity to formally examine and comment on this report.

#### FINDINGS AND CONCLUSIONS

In July 1969 the Association entered into two contracts for about \$74,000, without required OEO approval, for the primary purpose of using grant funds which otherwise would have remained unspent at the end of its grant year (July 31, 1969) and therefore would have been subject to return to the Government. The contractors spent about \$25,400 of the approximately \$34,400 advanced to them by the Association. These expenditures, for the most part, did not appear to relate to the purposes for which the contracts were made. (See p. 5.)

One contract for \$15,000, was for Atzlan to establish an information center to provide seasonal and migrant farmworkers with information about, and assistance in obtaining, education, health, housing, and other services from August 1 through October 31, 1969. The Association advanced the \$15,000 to Atzlan on August 25, 1969. By October 15, 1969, when the Association froze Atzlan's bank account at the direction of OEO, Atzlan had spent about \$6,000. In general, Atzlan's expenditures did not appear to be related to the purposes of the contract. (See p. 13.)

Atzlan advanced \$2,500 to an individual who gave Atzlan his personal note for \$2,500 and who, at about the same time, acquired title to property on which a condemned building was located.

The transaction was recorded in Atzlan's records as rent for the property. Atzlan's executive director stated that, through the transaction, Atzlan had acquired ownership of the property which was to be used to house a consumer cooperative. Atzlan, however, did not have title to the property, nor was the property listed as collateral to the individual's note. Moreover the formation of a cooperative was not provided for in the contract and the acquisition of property was expressly prohibited in Atzlan's contract. (See p. 14.)

Atzlan spent \$1,500 to assist a community organization which was starting the manufacture and sale of clay products. Such assistance was not provided for in the contract with the Association. (See p. 15.)

At least \$1,200 was spent by Atzlan's executive director from a petty cash fund. He indicated that most of the money was for his travel in connection with the formation of the consumer cooperative and for payment of his salary after Atzlan's bank account was frozen. (See p. 15.)

Another contract authorized the Council to obtain information in areas of activity, such as legislation, that directly and indirectly affected the lives of migrant farmworkers and to develop programs for radio and television based on the information obtained. The contract, in the amount of \$58,613, was to extend through July 31, 1970. On August 25, 1969, the Association advanced \$19,439 to the Council and this amount was deposited in a Fresno, California, bank. On the same day, Atzlan's executive director, who was empowered to write checks for the Council, transferred \$2,100 from the Fresno account to a Council account in a Los Angeles bank. On September 2, he transferred an additional \$17,309 to the Los Angeles account. (See p. 18.)

According to OEO records and GAO interviews, Association officials were unaware of the Los Angeles account. When the Association froze the Fresno account, October 15, 1969, in response to OEO directions, the account had a balance of \$26. (See p. 19.)

The Council's director provided GAO with information indicating that at least \$4,875 was disbursed from the Los Angeles account after October 16, 1969--when the Association had advised the Council that no more disbursements were to be made--and that virtually all the \$19,439 advanced to the Council had been either spent or obligated by the end of February 1970. (See p. 19.)

The Council's activities were carried out primarily at the Los Angeles office of the Mexican-American Political Association. The Council's director was also president of the political association. The chairman of the Association's board of directors was the political association's representative on the board.

The Council's director informed GAO that it was difficult to separate the political association's activities from those of the Council and that at times he might have done things for the political association while employed by the Council. GAO could not find any basis for determining whether the Council's expenditures were made in support of its activities or the political association's activities. GAO noted a number of questionable transactions by the Council. (See p. 19.)

GAO has serious doubts as to whether all the Council's activities were within the purposes set forth in its contract. The only tangible product of the Council's activities made available to GAO was an eight-page Spanish language publication issued October 5, 1969. This appears to have been directed toward motivating farmworkers to support the farm labor movement. (See p. 21.)

The first vice chairman of the Association's board of directors took a 2-week leave of absence from the board to accept a temporary position as consultant-coordinator to the Association. He was paid a \$1,000 fee

by the Association although OEO had notified the Association, before the payment was made, that the fee was not allowable because the transaction violated OEO policy governing conflicts of interest. (See p. 23.)

After considerable correspondence between OEO and the Association on these matters, OEO notified the Association on October 3, 1969, that the payment of the consultant fee and payments under the contracts with Atzlan and the Council were in direct violation of OEO regulations and specific directions.

The Association was instructed that:

1. The entire amount expended on the questionable transactions would have to be repaid to OEO.
2. No additional grant funds were to be expended under the two contracts.
3. The Association was to advise OEO of a plan for making repayment and for reconstituting its board of directors to preclude similar actions in the future.

The Association's plan, submitted October 29, 1969, was not satisfactory to OEO. On November 13, 1969, OEO notified the Association that (1) effective immediately its authority to draw grant funds was revoked, (2) it would have to submit monthly requests to OEO for funds to continue operations, (3) unspent prior year funds would have to be returned to OEO, and (4) OEO would not approve any program changes or contracts until they had been approved by a reconstituted board of directors. (See p. 25.)

On November 19, 1969, OEO notified the Association that a report from a certified public accountant indicated that the Association's accounting system and internal control over grant funds for the second program year (ended July 31, 1969) were inadequate. OEO again informed the Association that unprogrammed funds from the second program year and the disallowed payments for the two contracts and the consultant's fee were to be refunded to OEO. (See p. 26.)

On December 8, 1969, the Association remitted \$35,696 to OEO, of which \$32,069 was identified as unspent funds from the prior year and \$3,627 as miscellaneous reimbursements. The Association did not remit the amount of the disallowed payments. (See p. 26.)

On February 4, 1970, OEO suspended the Association's grant activities. At that time OEO still had not recovered the amount of the disallowed payments. On April 3, 1970, OEO submitted information concerning the contracts with Atzlan and the Council to the Department of Justice. (See p. 26.)

## CHAPTER 1

### INTRODUCTION

The General Accounting Office has investigated into charges of misuse of grant funds made available to the Central California Action Associates, Inc. (CCAA), by the Office of Economic Opportunity (OEO), for conducting a farmworkers' educational program.

The investigation was made pursuant to a request contained in a letter dated January 30, 1970, from Congressman B. F. Sisk. (See app. I.) Specifically, the letter referred to charges and countercharges which stemmed from a controversy between OEO and CCAA over the actions of CCAA's board of directors--particularly in reference to the award of two contracts by CCAA to the Atzlan Civic Education Committee, Inc. (Atzlan), and to the Mexican American Voter Education Research Institute Council, Inc. (MAVERIC).

CCAA was incorporated in April 1967 as a nonprofit corporation to develop and implement educational programs for unemployed adult migrant and seasonal farmworkers in eight counties in the San Joaquin Valley region of California. The eight counties are Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare, and Kern. The majority of CCAA students are Mexican-American.

In our investigation we primarily reviewed CCAA and OEO actions on:

1. Contracts awarded to Atzlan and MAVERIC.
2. Activities conducted by the corporations under the contracts.
3. Accounting for the funds expended under the contracts.
4. Circumstances under which CCAA permitted the first vice chairman of its board to take a 2-week leave of absence from the board to act as a consultant to CCAA for a fee of \$1,000.
5. Suspension of grant activities.



We did not evaluate the effectiveness of the overall CCAA program.

Our investigation included a review of records at OEO Washington, D.C., headquarters and of CCAA records in Fresno, California, which included the contracts with Atzlan and MAVERIC and minutes of the meetings of the CCAA board of directors and its executive committee. We also interviewed numerous OEO, CCAA, Atzlan, and MAVERIC officials. To the extent that records were available, we attempted to determine the propriety of Atzlan's and MAVERIC's expenditures under their contracts with CCAA. We visited Atzlan and MAVERIC headquarters in Fresno and Los Angeles, California, respectively. Also, as requested by Congressman Sisk, we discussed CCAA operations with a former CCAA consultant.

The stated goal of the CCAA is to provide the means, through basic education and prevocational training, whereby migrant and seasonal adult farmworkers in the eight participating counties will be able to upgrade their economic and social lives. Under CCAA's major program of adult education of migrant farmworkers, CCAA offers bilingual classes (English and Spanish) and stipends of up to \$80 a week to needy students.

CCAA is governed by a 24-member board of directors. About one third of the members are farmworkers representing program participants, about one third are representatives of the Community Action Agencies in the eight counties, and the remaining one third represent various segments of the community, including the Mexican-American Political Association (MAPA), the Community Service Organization, the National Association for the Advancement of Colored People, educators, growers, and labor unions.

The board of directors meets at least monthly to review and establish policies concerning program development and operation. A nine-member executive committee transacts board business between meetings of the full board. The CCAA staff, under an executive director, and with administrative offices in Fresno, works through six area field offices.

During the approximately 3 years that CCAA operated the program, OEO authorized funds under Grant CG-8653 as follows:

<u>Program year</u>	<u>Period covered</u>	<u>Total program approved</u>
A	May 10, 1967 to July 31, 1968	\$1,499,155 <sup>a</sup>
B	Aug. 1, 1968 to " " 1969	1,650,997 <sup>b</sup>
C	" " 1969 to " " 1970	<u>1,396,138<sup>c</sup></u>
Total		<u>\$4,546,290</u>

<sup>a</sup>\$69,329 of this amount was reprogrammed to program year B.

<sup>b</sup>\$78,592 of this amount was reprogrammed to program year C, and an additional \$32,069, which was not spent in program year B, was returned to OEO on December 8, 1969.

<sup>c</sup>Of this amount, \$676,520 was withheld by OEO, effective February 4, 1970, when CCAA's grant activities were suspended.

The program year B grant, out of which the Atzlan and MAVERIC contracts were funded, included \$300,000 referred to as versatile funds which were to be used for education, administration, and vocational placement or for contracting with various agencies, organizations, or private concerns for services in the areas of training, research, and special impact projects. CCAA provided us with information indicating that, prior to contracting with Atzlan and MAVERIC, it had let 14 versatile fund contracts in program year B. Available documentation showed that contract costs ranged from \$500 to \$26,000. CCAA could not furnish us with adequate documentation of the costs incurred and results achieved by the contractors under these contracts.

## CHAPTER 2

### CONTROVERSY OVER CCAA BOARD ACTIONS

In July 1969 CCAA entered into two contracts totaling about \$74,000, without the required OEO approval, for the prime purpose of using grant funds which otherwise would have remained unspent at the end of its grant year (July 31, 1969) and therefore would have been subject to return to the Government. In response to a CCAA request in August 1969 for a clarification of OEO's year-end contracting requirements, OEO provided CCAA with guidelines indicating that the two contracts were improper. The CCAA board of directors considered OEO's response but, after obtaining the advice of the CCAA counsel, elected to proceed with the contracts.

The contractors spent about \$25,400 of about \$34,400 which had been advanced to them by CCAA under the contracts; but the expenditures, for the most part, did not appear to relate to the purposes for which the contracts were made.

Also, we noted that, contrary to OEO requirements and instructions prohibiting transactions which raise conflict-of-interest questions, the CCAA permitted the first vice chairman of its board to take a leave of absence from that position for a 2-week period in order to act as a consultant to CCAA for a \$1,000 fee.

### CONTRACT AWARDS

At the April 17, 1969, meeting of CCAA's board of directors, the chairman reported that he was concerned that some versatile grant funds might remain unspent at the end of the grant year (July 31, 1969) and would then have to be returned to the Government. The executive director of CCAA was instructed to provide the board with a report on the amount of grant funds remaining and a plan on how they could be spent. From our review, it appears that CCAA records were in such poor condition that the CCAA staff had difficulty estimating the amount of such funds. On June 20, 1969, the CCAA executive committee decided that the first vice chairman of the board should take a 2-week leave of

absence to act as consultant to CCAA. (See p. 23.) We were told by the chairman and first vice chairman of the board that one of the duties of the first vice chairman during the period June 23 through July 6 was to ascertain how much of the program year's \$300,000 in versatile funds was unspent.

In a board meeting on July 11, 1969, the first vice chairman proposed that a program committee determine the efficient and proper way to spend approximately \$95,000 which was estimated to be still available from program funds. The record is unclear as to the following week's activities, but in an executive committee meeting on July 19, 1969, the committee considered proposals which had been submitted to it by representatives of Atzlan--at the time an unincorporated association--and MAVERIC.

We did not find any evidence in CCAA's files as to whether the CCAA staff, as was its customary procedure, had reviewed the proposals and had recommended entering into the contracts. We were told by the then executive director that he had reviewed the proposals and had concluded that they were good in concept but were too vague and that he had so advised the board.

The minutes of the executive committee meeting of July 19, 1969, showed that the committee reviewed the proposals, heard oral presentations by the contractor representatives, and concluded that CCAA should notify MAVERIC that it would be funded for about \$59,000 provided it met a number of conditions specified by the committee. Also, the committee directed that Atzlan be notified that it would have to incorporate to receive further consideration.

On July 26, 1969, the executive committee accepted MAVERIC's proposed action on the program conditions set forth by the committee on July 19 and accepted the proposals of both MAVERIC and Atzlan. Atzlan was incorporated on July 23, 1969. The CCAA board chairman and contractor representatives signed the contracts on July 30, 1969--1 day before the end of the program year.

OEO's grant to CCAA provided that funds be spent only in accordance with CCAA's approved budget or upon prior OEO

approval of budget changes. The grant also provided that CCAA could enter into contracts under which the contractor would assume responsibility for any part of the grantee's program only if the intention to make a delegation to a particular agency was described in the grant application or was otherwise approved by OEO. The circumstances under which CCAA contracted with MAVERIC and Atzlan did not meet these grant requirements.

CCAA did not immediately advance monies to the contractors when the contracts were signed, but on August 1, 1969, CCAA notified OEO by letter that it had approved proposals for Atzlan and MAVERIC and requested OEO's clarification as to whether services received in the new program year could be paid for with the unused funds from the old program year. The letter also referred to previous discussions with OEO personnel about the proposed contracts and stated that the contracts had not been signed.

OEO notified CCAA on August 7, 1969, that contracts for services or materials to be received in a future program year could not be reported as expenditures in the current program year. OEO, however, did not refer specifically to the propriety of CCAA's contracts with Atzlan and MAVERIC or to the circumstances under which these contracts were made.

Because CCAA's letter of August 1 referred specifically to CCAA's approval of the Atzlan and MAVERIC proposals and to previous discussions between CCAA and OEO personnel about the proposed contracts, we believe that OEO's letter of August 7 to CCAA should have commented on the allowability of these contracts as well as on the allowability of using current year's funds for goods or services to be received in the future. We discussed this matter with the Director of OEO's Special Programs Division who stated that he believed that grant conditions prohibited CCAA from making the contracts.

On August 22, 1969, the CCAA board considered OEO's reply, obtained advice from CCAA's counsel, and decided to proceed with the contracts. From our review of the minutes and our interviews with CCAA board members, it appears that the board acted, in part, on the basis of the chairman's statement that CCAA personnel had obtained OEO's oral

approval for the contracts and, in part, on the basis of CCAA's counsel's advice that the most serious consequence of its action would be that the contracts would have to be funded with funds made available for the program year beginning August 1, 1969, rather than the unexpended funds from the prior year.

In later discussions with us, the chairman stated that he had been led to believe that oral OEO approval for the contracts had been granted. We interviewed OEO and CCAA personnel who, the records showed, were also involved, but they denied that oral approval had been granted.

On August 25, 1969, CCAA released checks of \$15,000 and \$19,438.73 to representatives of Atzlan and MAVERIC, respectively. These checks were deposited in separate accounts in a Fresno, California, bank. By checks dated August 25 and September 2, 1969, \$2,100 and \$17,308.73, respectively, were transferred from MAVERIC's Fresno bank account to an account in a Los Angeles bank. OEO's records and our interviews with CCAA officials indicated that CCAA officials were not aware of these transfers.

On September 8, 1969, OEO notified CCAA that the contracts with Atzlan and MAVERIC were unauthorized and that grant funds could not be used for these contracts. CCAA did not take any action to terminate the contracts. On October 3, 1969, OEO again notified CCAA that the contracts were unauthorized and demanded repayment to OEO of all grant funds expended under the two contracts.

On October 15, 1969, CCAA took action to freeze the contractors' Fresno bank accounts, and on October 16 CCAA wired the principals of both contractors that the contracts were unauthorized and that no further disbursements should be made by the contractors. At the time the Fresno accounts were frozen, \$8,989 remained in Atzlan's account and \$26 remained in MAVERIC's account. MAVERIC's Los Angeles account was not frozen because, as previously noted, CCAA officials were not aware of the account.

On November 13, 1969, OEO began taking a series of restrictive measures against CCAA which culminated on February 4, 1970, in the suspension of CCAA's grant activities

and the transfer of responsibility for CCAA's educational program to the Bakersfield Target Community Citizens Anti-Poverty Council, Bakersfield, California.

## ATZLAN

We were unable to document the circumstances under which Atzlan was originally established and its program proposal to CCAA was developed. Atzlan's proposal, which was considered at the July 19, 1969, CCAA executive committee meeting, essentially was to establish an information center in Fresno to provide seasonal and migrant farmworkers with information regarding health services, public and private agencies, housing services, citizenship training, educational services, and civil rights. Atzlan also planned to direct clients to agencies best able to provide needed assistance.

Atzlan's proposal indicated that it could carry out its planned activities for a 6-month period with CCAA funds of \$30,750 and Atzlan's matching in-kind contributions of about \$10,800 consisting of office equipment and professional services. Atzlan stated that it intended to submit a proposal, at the end of the initial 6-month period, to extend the program through July 31, 1970. Atzlan's articles of incorporation stated that the firm's

"\*\*\* specific and primary purposes are to provide educational services, civic education, and referral services to economically deprived persons."

On July 30, 1969, CCAA entered into a contract with Atzlan for \$15,000 to carry out its proposed activities for a 3-month period from August 1 through October 31, 1969, with the understanding that continuation of the program thereafter would be subject to further funding if a subsequent proposal were submitted by Atzlan and approved by CCAA.

On August 25, 1969, CCAA advanced Atzlan \$15,000, and Atzlan established an account in a Fresno bank for that amount. On the basis of data made available to us by Atzlan's executive director, Atzlan's expenditures through October 15, 1969, when CCAA froze the account, are summarized below.



Travel	\$ 159.52
Petty cash	1,200.00
Bank service charges	5.85
Payroll	568.69
Office supplies	26.78
Radio advertising	50.00
Purchase of building	2,500.00
Del Rey community development contract costs (note a)	<u>1,500.00</u>
Total expenditures	6,010.84
Funds remaining	<u>8,989.16</u>
Total contract amount	<u>\$15,000.00</u>

<sup>a</sup>Project to manufacture and sell clay products.

In reviewing the documentation that was provided to us, it did not appear that any significant amounts of the above expenditures were directed to the specific purposes for which the contract was made; i.e., to provide information to seasonal and migrant farmworkers and to assist them to receive needed services.

The largest disbursement--\$2,500--which Atzlan's records showed as a rental cost, was made to an individual who gave Atzlan his personal note for \$2,500 due September 23, 1970. About the time of this transaction, the individual acquired title to some property in Del Rey, California, on which a condemned building was located. Atzlan's executive director explained in a memorandum provided to us that, through this transaction, Atzlan had acquired ownership of the building which it intended to use, after renovation, to house a consumers' cooperative. Atzlan, however, did not have title to the property, nor was the property listed as collateral to the individual's note.

Atzlan's executive director informed us that the purchase price would have been higher had Atzlan purchased the property directly. Although the property was not listed as collateral to the note, both the executive director in his memorandum and the property owner in our interview with him

stated that, if Atzlan demanded payment on the note, the maker could transfer title to the property instead.

The executive director informed us that the transaction occurred because Atzlan's corporate charter did not provide for Atzlan to form a consumer cooperative. In addition, the formation of a cooperative was not authorized in Atzlan's contract with CCAA and the acquisition of real property was specifically prohibited in the contract.

We visited the building. It was not in use and did not appear to be in a usable condition. The executive director, in a later proposal to change Atzlan's program to include a cooperative, estimated that, to make the necessary repairs and renovation, approximately \$4,800 would have to be expended plus considerable voluntary labor by the farmworkers. The executive director stated that the building, in addition to providing a site where individuals could actively take part in the production and sale of foods and hand-made items of Mexican culture on a cooperative basis, could be used as an information center. This service was to be provided by an information board where material on jobs, civic education, citizenship, and other subjects would be posted.

The memorandum provided to us by Atzlan's executive director stated that the \$1,500 expenditure identified as "Del Rey community development contract costs" represented financial assistance to a community organization which was starting the manufacture and sale of clay products. Financial assistance of this nature by Atzlan was not provided for in the contract with CCAA.

Atzlan's executive director also provided us with a listing of expenditures from petty cash but was unable to provide us with receipts or other support for the expenditures. The reported expenditures are summarized below.

Travel expenses	\$ 628.69
Clerical costs	215.00
Labor costs	193.96
Supplies	22.75
Miscellaneous expenses	90.75
Salary--executive director	<u>314.40</u>
Total	<u>\$1,465.55</u>

From the information available, we were unable to reconcile the difference between the amount of the petty cash fund--\$1,200--and the amount of the reported expenditures. The executive director reported that most of the travel costs related to his travel in connection with the cooperative project. The salary payment from the petty cash fund was reported to represent salary earned and unpaid when Atzlan's account was frozen. Expenditures listed as clerical and labor costs reportedly represented payments for secretarial and maintenance work.

Although Atzlan's activities were unrelated to the purposes for which the contract was awarded, the contract was not amended to cover such activities. Atzlan's executive director informed us that he had kept CCAA's board of directors informed of Atzlan's activities, but the chairman of CCAA's board of directors and the CCAA executive director informed us that the board had never approved the program change. The minutes of the CCAA board meeting on September 18, 1969, showed that the Atzlan executive director had reported on Atzlan's activities but that no mention had been made of an intention to form a cooperative.

In an October 1, 1969, letter to Atzlan's chairman, however, the then acting executive director of CCAA requested that, in view of a phone conversation between them and the fact that it was evident that Atzlan had had a change in work program, the change be made known officially to the CCAA board of directors for approval. The acting executive director stated in the letter that he would assume that the board's approval would be forthcoming in view of Atzlan's funding problems and that he was sure that the board would be sympathetic to any changes.

In a memorandum from Atzlan's executive director dated October 17, 1969, after Atzlan's funds had been frozen, CCAA was officially informed of Atzlan's intention to change its program. The memorandum said:

"Because of uncompliance of the CCAA Board of Directors in meeting contractual obligations of original program to the Aztlan Civic Education Committee, Aztlan has changed its program to a consumer cooperative project."

At the time of this notification, Atzlan had disbursed \$2,500 to the individual who had acquired the property in Del Rey and had provided \$1,500 in financial assistance to the community organization involved in manufacturing and selling clay products.

In a special board meeting on October 29, 1969, the CCAA board voted to ask Atzlan to resubmit its proposal, and on October 31, 1969, the Atzlan chairman was advised that, if Atzlan wished to develop a consumer cooperative project, it should submit a proposal for CCAA's consideration.

## MAVERIC

MAVERIC's articles of incorporation were filed with the Secretary of State of the State of California on June 4, 1969. According to the articles of incorporation, MAVERIC's principal purpose was the nonpartisan, civic education of voters, primarily with Spanish surnames; their registration to vote; and research into the means whereby they might effectively participate in the civic life of the State. MAVERIC's proposal to CCAA, which was considered by the CCAA executive committee at a meeting on July 19, 1969, was to obtain information in areas of activity, such as legislation, that directly and indirectly affected the lives of migrant farmworkers and to develop programs for radio and television based on information obtained.

The CCAA board established a number of program conditions to be met by MAVERIC to make its proposal acceptable. For example, MAVERIC was to establish an office in Fresno and was to provide for membership on its board for migrant representatives from each of the eight CCAA counties. In an executive committee meeting on July 26, 1969, the committee was advised that MAVERIC would comply with CCAA's conditions and the committee directed that CCAA negotiate the contract with MAVERIC. On July 30, 1969, a contract for \$58,613.20 was executed between CCAA and MAVERIC for MAVERIC to carry out activities described in its proposal through July 31, 1970.

In the meeting of July 26, 1969, an Atzlan representative advised CCAA's executive committee members that the basic difference between the Atzlan and MAVERIC contracts was that Atzlan would contact people directly--"be more action oriented"--and that MAVERIC would contact them through the news media--radio, television, and newspapers.

On August 25, 1969, CCAA issued a check to MAVERIC for \$19,438.73--about one third of the contract price--which was used to establish a MAVERIC account in the bank in Fresno.

According to OEO records, Atzlan's executive director was empowered to write checks on the MAVERIC Fresno account. On August 25, 1969, he transferred \$2,100 from MAVERIC's

bank account in Fresno to a MAVERIC account in a Los Angeles bank and on September 2 he transferred an additional \$17,308.73 to the Los Angeles account.

As previously mentioned, CCAA officials were unaware of the Los Angeles account, and when CCAA froze the Fresno account on October 15, 1969, the account had a balance, after bank charges of \$4 were deducted, of \$26. The executive director of Atzlan informed us that the fund transfers, made at the direction of MAVERIC's board of directors, represented his only MAVERIC activities.

MAVERIC's director provided us with the following information on MAVERIC's expenses through December 15, 1969.

Salaries and payroll taxes	\$10,909.03
Consultant, accountant, and legal fees	2,019.28
Travel expenses	1,279.09
Office expenses	1,232.53
Supplies	576.25
Miscellaneous expenses	<u>640.55</u>
Total	<u>\$16,656.73</u>

Although MAVERIC had been instructed by CCAA on October 16, 1969, that no further disbursements were to be made under the contract, the information provided to us by MAVERIC's director indicated that about \$4,875 of the above amount was disbursed in November and December. We were unable to determine, from the information provided to us, the amount disbursed from October 16 through October 31.

Also, MAVERIC's director informed us in March 1970 that virtually all the funds advanced to MAVERIC under the contract with CCAA were either spent or obligated by the end of February 1970.

MAVERIC's activities were carried out primarily at the Los Angeles office of MAPA. MAVERIC's director was also president of MAPA and the chairman of CCAA's board was MAPA's representative on the board.

The financial information given us by MAVERIC's director provided some indication of payments from the MAVERIC account; however, the director stated that it was difficult to separate MAPA and MAVERIC activities and that, at times during his employment by MAVERIC, he might have done things for MAPA. We could not find any basis, from the information provided to us, for determining whether the expenditures were made in support of MAVERIC's activities or MAPA activities. The director stated that matters would have been simpler had OEO given the funds to MAPA directly but that OEO had not done so because OEO thought MAPA was a political organization.

We noted the following questionable transactions.

1. The director was paid a salary of \$1,200 a month for 5 months, or \$6,000, compared with a maximum salary of \$700 a month, or \$3,500, provided in the contract budget. OEO records indicate that the director stated that this circumstance occurred because he assumed responsibility for two of the positions described in the budget.
2. MAVERIC records showed that it paid \$650 for rent at \$150 a month for about a 4-month use of office space in Los Angeles. The full rental cost of the space occupied by MAVERIC and MAPA was \$150 a month. MAVERIC's director stated that the space was really worth \$300 a month; that MAVERIC was charged \$150 a month, the cash cost of the space; and that MAPA took responsibility for the remaining \$150 noncost value of the space. The director did not further explain what he meant, but when we asked him whether MAPA had ever paid more than \$150 a month for the office space, the director stated "No, never."
3. MAVERIC also paid \$200 for rental of space in the building in Del Rey which was involved in the unusual transaction between Atzlan and a third party, described on page 14. The \$200 payment was made by MAVERIC to the title holder of the property although Atzlan records indicated its \$2,500 payment was to rent the whole building. In addition, this

building was in need of considerable repair and renovation to make it usable.

As previously mentioned, one of the conditions which MAVERIC agreed to comply with was the establishment of an office in Fresno. MAVERIC's bank statement showed a Fresno mailing address, but when we visited the address, we found that it was the home behind the office of the chairman of the board of Atzlan who was also MAVERIC's bookkeeper. The chairman informed us that he owned the building, and OEO records indicated that the home was being rented by an individual, from Atzlan's chairman, as a residence.

On the basis of the information made available to us, we have serious doubts as to whether all of MAVERIC's activities were within the purposes set forth in its contract. The only tangible product of MAVERIC's activities which we could find was an eight-page Spanish language publication which was issued on October 5, 1969. The publication appears to have been directed toward motivating farm-workers to support the farm labor movement. Following are translated excerpts from some of the articles, which are typical of those in the publication.

#### Reuther and the Workers Dilemma

"At the Memorial Park, Walter Reuther declared the solidarity of the Automobile Union to the Delano strike and to the grape boycott \*\*\*. He said the Federal subsidies to agriculture should not be applied to increase the richness of the farm owner but to alleviate the misery of the farm worker. \*\*\*."

#### Delano, Sanctuary of the Social Struggle

"\*\*\* More than 400 personalities of the workers movement of North America \*\*\* dedicated the first center of social assistance of the farm workers union to the memory of Roy L. Reuther \*\*\*. Cesar Chavez thanked those in attendance in the name of those who suffered in the fields \*\*\*."



### MAPA Salutes the North American Farm Worker

"The Mexican American Political Association is pleased to salute all the farm workers of North America and to state its solidarity to the farm workers of California \*\*\*."

### Defense Against the Strike

"At a press conference Cezar Chavez addressed himself to the workers of the Nation and in the world to express the state of the farm workers strike and grape boycott. \*\*\* One reporter asked 'Why hasn't the strike been won and why do you need the backing of the boycott \*\*\*.' \*\*\* Cezar, controlling the indignation caused by the stupidity of the racist's question, \*\*\* stated \*\*\*."

### MAPA Students for Victory

"Whereas the dominant colonial Anglo-American class \*\*\* whereas presently there are some 8 to 12 million Mexican Americans fighting to break the chains of oppression--we demand the same rights as human beings that are negated in our own country \*\*\*."

### Editorial Page Dedicated to the Farm Worker's Freedom and to the Farm Worker's Truth

"\*\*\* The appearance of the Prensa de Bronce [the publication] will be a forum where the voices of inequities of the farm worker can have access \*\*\*."

It is difficult to associate the writings in the publication with the purposes of MAVERIC's contract with CCAA which were to obtain information in areas of activity, such as legislation, that directly and indirectly affect the lives of migrant farmworkers and to develop programs for radio and television based on such information.

## BOARD MEMBER HIRED AS CONSULTANT

As previously noted, the first vice chairman of CCAA took a 2-week leave of absence from the board to accept a position as consultant coordinator for CCAA between June 23 and July 6, 1969, and was paid a \$1,000 fee by CCAA although OEO had specifically notified CCAA before the payment was made that the payment of the fee was not allowable. The chairman of the CCAA board justified the arrangement on the basis that a number of critical situations faced CCAA and that the vice chairman had greater expertise for resolving these situations than any other consultant available.

The Director of OEO's Office of Special Field Programs, in a letter to CCAA's board chairman dated July 23, 1969, stated:

"The action of the grantee board \*\*\* clearly violates the spirit of the board's role as a contributor to program operations. In addition, it is considered a subterfuge to suggest that a board member give up his membership in order that he receive payment from program funds understanding full well that he will return to the board as a full member after a limited and defined period.

"Additionally, from the standpoint of the intent of the presently approved grant to CCAA, funds are not available to the grantee for the employment of consultant services for the purposes suggested \*\*\*."

On August 19, the board disregarded OEO's letter of July 23, 1969, and paid the first vice chairman a consultant's fee of \$1,000. The CCAA board chairman told us that he had advised the board to approve the fee because he felt that (1) the vice chairman had worked very hard to earn it and (2) the CCAA board felt that it should run the program and it was unwilling to accept OEO's direction.

We were shown a number of documents by CCAA personnel which were reported to have been prepared by the first vice chairman during his 2-week engagement as a consultant,

including (1) an adult education curriculum, (2) a report on the morale of CCAA employees, (3) a report on unexpended program funds for program year B, (4) a budget for program year C, and (5) various memorandums to CCAA staff.

In a letter dated August 18, 1969, which discussed the consultant fee, the Director of OEO's Office of Special Field Programs notified CCAA's board chairman that unauthorized payments by CCAA would be disallowed and that not only would funds so used have to be repaid to the Government but such payments might seriously jeopardize CCAA's chances of receiving additional funds.

## RESULTS OF CCAA'S ACTIONS

In a letter dated October 3, 1969, OEO notified CCAA of its concern for what it termed "irresponsible actions" on the part of CCAA's board. OEO notified CCAA further that the payment of the consultant's fee and payments under the contracts with Atzlan and MAVERIC were in direct violation of OEO regulations and specific directions.

CCAA was instructed that:

1. The entire amount expended on the questionable transactions would have to be repaid to OEO.
2. No additional grant funds were to be expended on the two contracts.
3. Within 15 days, CCAA was to advise OEO of a plan for making repayment and for reconstituting the board to preclude similar actions in the future.

At CCAA's request, OEO granted an extension to October 31 for CCAA to reply to this letter. In a letter dated October 29, 1969, CCAA proposed in summary that it would (1) furnish a plan for restitution through in-kind contributions within 90 days and (2) call for a new election of board representatives of farmworkers by January 1, 1970, and an election of new officers within 90 days thereafter.

On November 13, 1969, OEO notified CCAA that the proposed reconstitution of the board did not appear satisfactory but that OEO would not make a final judgment until the actual reconstitution occurred and that the proposed 90-day period for submitting a plan for restitution of funds was unsatisfactory. CCAA was instructed to inform OEO by November 30, 1969, of actions taken by CCAA to recover the improper payments and provide OEO with an accounting for the contractors' expenditures.

OEO notified CCAA in its letter of November 13 that (1) effective immediately, CCAA's authority to draw funds on the letter of credit made available by OEO was revoked, (2) CCAA would have to submit monthly requests to OEO for funds to sustain operations, (3) unexpended prior year

funds would have to be returned to OEO, and (4) OEO would not approve any program changes or contracts until they had been approved by the reconstituted board of directors.

On November 19, 1969, OEO notified CCAA of the receipt of a report from a certified public accountant, based on an audit of CCAA transactions covering the period August 1, 1968, to July 31, 1969, which indicated that CCAA's accounting system and internal control over grant funds were inadequate. Also, OEO again stated that unreprogrammed funds from CCAA's second program year and the disallowed payments for the two contracts and the consultant's fee were to be recovered by OEO. CCAA was given 30 days to respond.

In letters to OEO dated November 30 and December 3, 1969, CCAA recited actions it had taken, the difficulties it was encountering, and its disagreements with OEO's Migrant Division. CCAA requested a meeting with representatives of the Director, OEO, to resolve the issue. On December 8, 1969, CCAA remitted \$35,695.77 to OEO, of which \$32,069 was identified as unexpended funds from the prior year and \$3,626.77 as miscellaneous reimbursements. The amount of the disallowed payments was not remitted.

On December 2, 1969, and January 7, 1970, OEO, in response to CCAA's requests, provided \$232,238 and \$208,788, respectively, to CCAA for operating its program during those 2 months. During this time, CCAA met with serious internal difficulties; and, according to OEO records and our interviews with OEO officials, the executive director was summarily fired on January 31, 1970, without a formal meeting of the board of directors and without regard to personnel policies. This led, in turn, to the CCAA staff's walking off the job and to a boycott of CCAA classes by the farmworkers.

On February 4, 1970, OEO, citing the situation, (1) notified CCAA that it was withholding OEO funds until CCAA could satisfy OEO that future activities would meet OEO requirements and (2) in essence, transferred CCAA's educational program to the Bakersfield Target Community Citizens Anti-Poverty Council. The amount of funds remaining under

CCAA's program year C grant at that time was \$676,520 and OEO had not yet recovered the amount of the disallowed payments.

At the time we completed our fieldwork in March 1970, the Council was operating the program with the former CCAA staff under the direction of the former CCAA executive director. CCAA was not carrying out any OEO programs, and OEO was considering what remedies might be available to recover the disallowed payments, including possible referral of the matter to the Department of Justice. On April 3, 1970, OEO submitted information on CCAA's actions on the Atzlan and MAVERIC contracts to the Department of Justice for its consideration of possible violations of Federal criminal law.



## **APPENDIXES**





**B. F. SISK**  
16TH DISTRICT, CALIFORNIA

COMMITTEE ON RULES

COMMITTEE ON DISTRICT  
OF COLUMBIA

HOUSE OFFICE BUILDING  
WASHINGTON, D.C. 20515

**CONGRESS OF THE UNITED STATES**  
**HOUSE OF REPRESENTATIVES**  
**WASHINGTON, D.C.**

**GORDON E. NELSON**  
EXECUTIVE SECRETARY

DISTRICT OFFICE:  
**BETTY L. CLOUGH**  
FIELD REPRESENTATIVE  
ROOM 2001  
FEDERAL OFFICE BUILDING  
1130 O STREET  
FRESNO, CALIFORNIA 93721  
485-8000, EXT. 261

January 30, 1970

The Honorable Elmer B. Staats  
Comptroller General of the United States  
General Accounting Office Building  
Washington, D. C. 20548

Dear Mr. Staats:

The migrant division of the Office of Economic Opportunity is funding a program in the eight-county area of the San Joaquin Valley of California known as Central California Action Associates. It is a program to help provide a basic education to farmworkers and is a most worthwhile program.

In recent months, a controversy has arisen between OEO and CCAA over the actions of the CCAA board--particularly in reference to two contracts between CCAA and organizations known as Atzlan and Mavric.

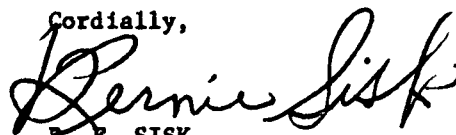
As a result of the controversy, there is a danger that the CCAA program will be terminated. Certain charges and countercharges about the use of public funds and good faith of some of the officials of OEO and CCAA have tended to lower public confidence in the program.

I feel most strongly that until such time as an impartial investigation into these allegations is made, it will be impossible to resolve the controversy and the program will continue in jeopardy.

Accordingly, I would appreciate it if the General Accounting Office would investigate these matters and furnish me with a report at the earliest possible date consistent with the other demands being made upon your office.

I feel it is imperative that this investigation be conducted in order that this cloud can be removed and, if wrongdoing is demonstrated, the offenders identified. This program is highly beneficial for the farmworkers and side issues such as the Atzlan and Mavric contracts should not be allowed to place it in jeopardy.

Cordially,



**B. F. SISK**  
MEMBER OF CONGRESS

BFS:n/g

PRINCIPAL OFFICIALS OF THE  
OFFICE OF ECONOMIC OPPORTUNITY

AND

CENTRAL CALIFORNIA ACTION ASSOCIATES, INC.,  
RESPONSIBLE FOR THE ACTIVITIES DISCUSSED IN THIS REPORT

		<u>Tenure of office</u>	
		<u>From</u>	<u>To</u>
<u>OFFICE OF ECONOMIC OPPORTUNITY</u>			
DIRECTOR:			
Donald Rumsfeld	May 1969	Present	
Bertrand M. Harding (acting)	Mar. 1968	May 1969	
R. Sargent Shriver	Oct. 1964	Mar. 1968	
ASSISTANT DIRECTOR FOR COMMUNITY ACTION PROGRAM (note a):			
Theodore M. Berry	Apr. 1965	Sep. 1969	
ASSISTANT DIRECTOR FOR PROGRAM DEVELOPMENT (note b):			
Robert Perrin (acting)	Sep. 1969	Jan. 1970	
ASSISTANT DIRECTOR FOR OPERA- TIONS:			
Frank C. Carlucci	Dec. 1969	Present	
PROJECT MANAGER, SPECIAL PRO- GRAMS DIVISION (note c):			
Noel H. Klores	Nov. 1964	Mar. 1970	
MIGRANTS AND SEASONAL FARM- WORKERS BRANCH:			
Ruth E. Graves	Oct. 1967	Present	

PRINCIPAL OFFICIALS OF THE  
OFFICE OF ECONOMIC OPPORTUNITY

AND

CENTRAL CALIFORNIA ACTION ASSOCIATES, INC.,  
RESPONSIBLE FOR THE ACTIVITIES DISCUSSED IN THIS REPORT  
(continued)

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

CENTRAL CALIFORNIA ACTION ASSOCIATES, INC.

CHAIRMAN, BOARD OF DIRECTORS:

Ernest Esquivel	Jan. 1970	Present
Arthur Arvizu	Feb. 1969	Jan. 1970
Albert Molina	June 1967	Feb. 1969

FIRST VICE CHAIRMAN, BOARD OF  
DIRECTORS:

Benny Garibay	Jan. 1970	Present
Albert Molina	Feb. 1969	Jan. 1970
Arthur Arvizu	Mar. 1968	Feb. 1969
Paul Couture	June 1967	Mar. 1968

SECOND VICE CHAIRMAN, BOARD OF  
DIRECTORS:

Conrad Miranda	Jan. 1970	Present
Ernest Esquivel	Feb. 1969	Jan. 1970
James Ruessewig	Nov. 1967	Feb. 1969

TREASURER:

Stacy Adams	Jan. 1970	Present
Sergio Vega	Feb. 1969	Jan. 1970
Jerald Webster	Mar. 1968	Feb. 1969
Russel Paulson	Apr. 1967	Mar. 1968

PRINCIPAL OFFICIALS OF THE  
OFFICE OF ECONOMIC OPPORTUNITY

AND

CENTRAL CALIFORNIA ACTION ASSOCIATES, INC.,  
RESPONSIBLE FOR THE ACTIVITIES DISCUSSED IN THIS REPORT  
(continued)

<sup>a</sup>In September 1969 this position was terminated as an organizational entity and responsibility for the special field programs was shifted to the newly created Office of Program Development.

<sup>b</sup>Effective January 1, 1970, the Special Programs Division was transferred from the Office of Program Development to the Office of Operations.

<sup>c</sup>Organization name changed from Special Field Programs Division to Special Programs Division in September 1969.